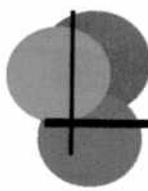


# **Restoration of Revenue:**

## **A Pressing Issue for Michigan**



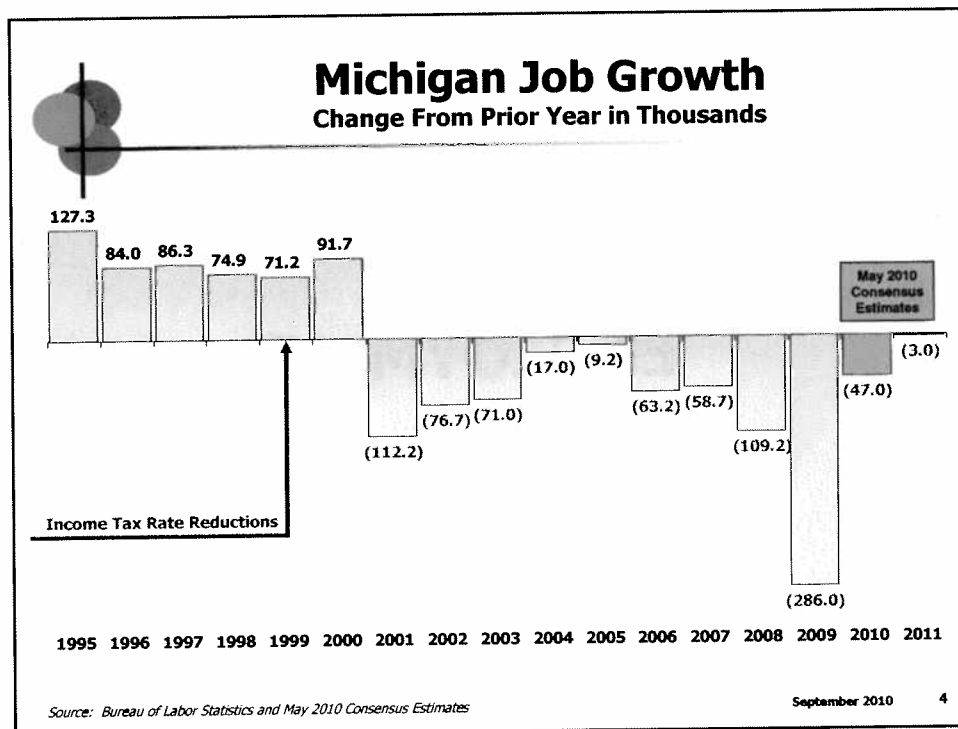
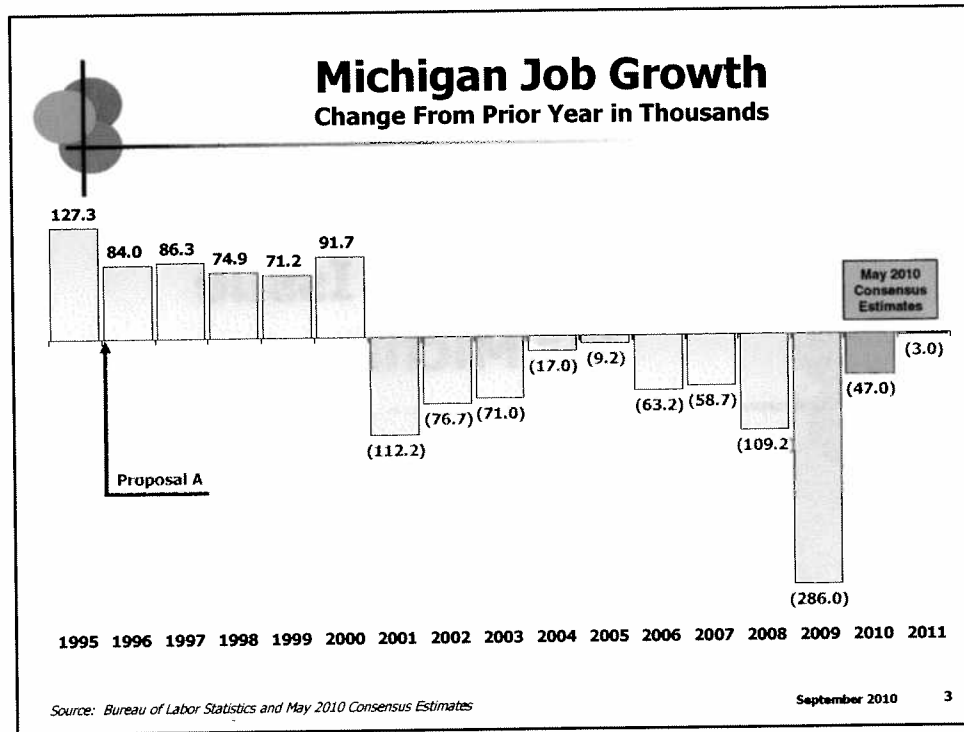
September 2010

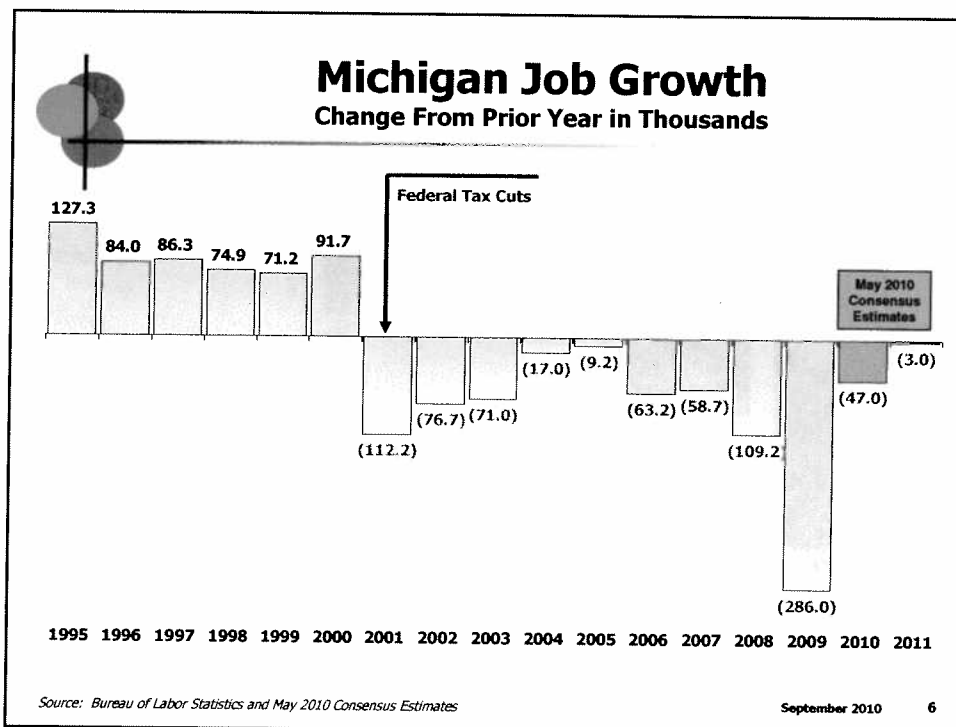
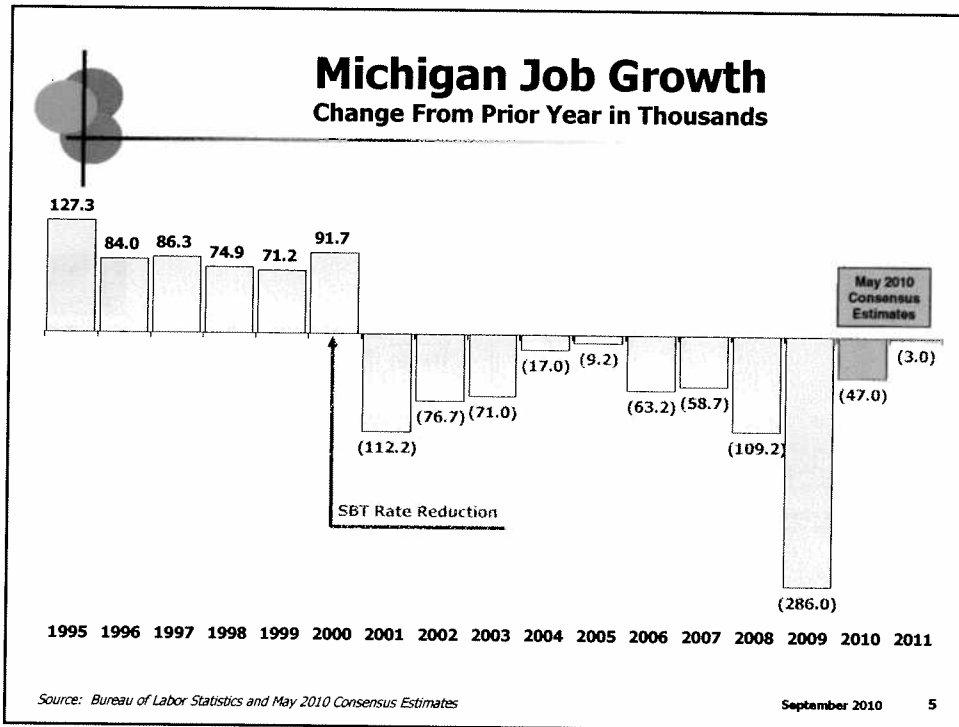
State Representative  
George Cushingberry, Jr.

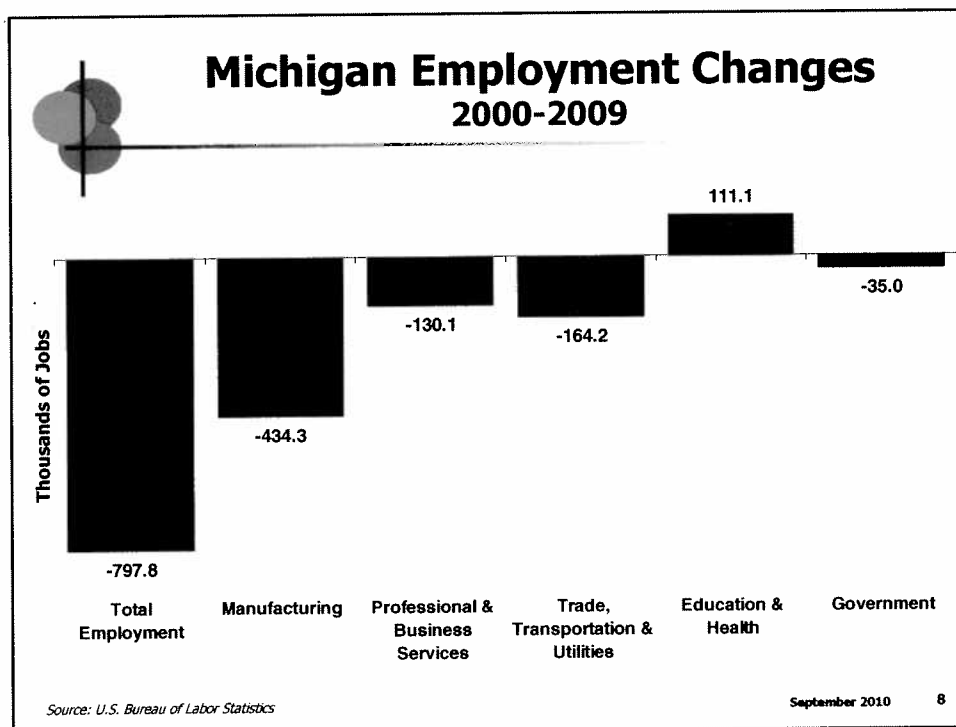
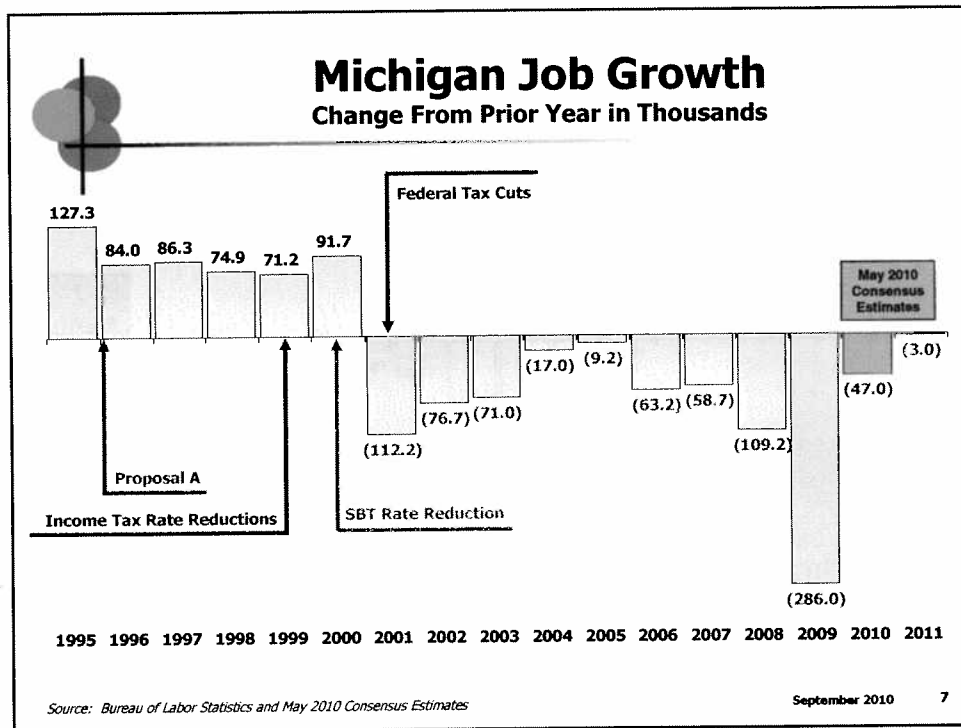


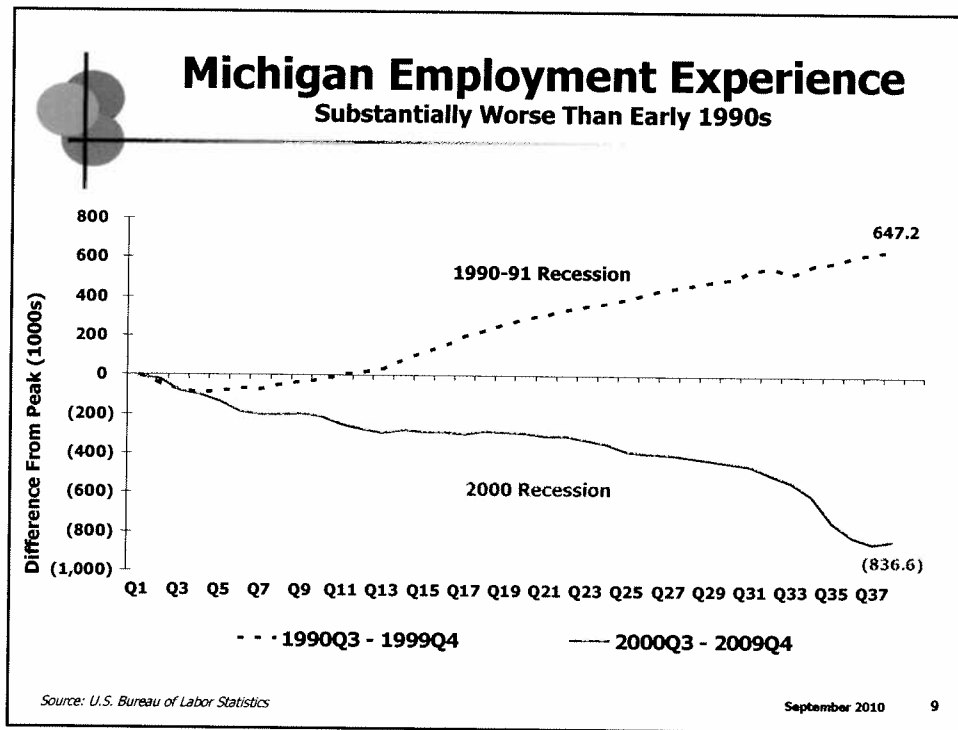
## **EMPLOYMENT IN MICHIGAN**

September 2010 2

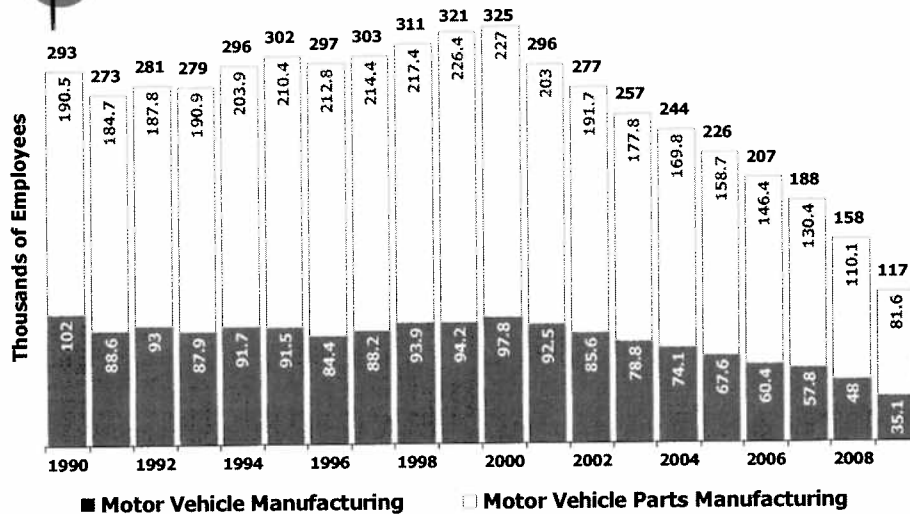








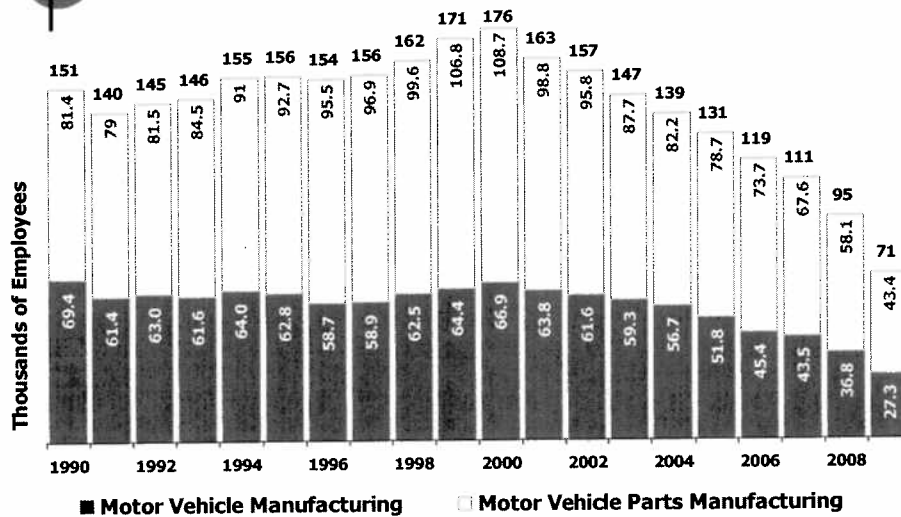
## Michigan Auto Industry Employment



Source: U.S. Bureau of Labor Statistics

September 2010 11

## Detroit-Warren-Livonia\* Auto Industry Employment



\*Metropolitan Statistical Area  
Source: U.S. Bureau of Labor Statistics

September 2010 12

## Major Vehicle Production Facilities in Michigan

### ASSEMBLY

Company	Plant	City	Nameplate
Chrysler	Jefferson North	Detroit	Grand Cherokee, Commander
Chrysler	Sterling Heights	Sterling Heights	Sebring, Avenger, Viper
Chrysler	Dodge City	Warren	Mitsubishi Raider, Ram Dakota Ram Pickup
Ford	Dearborn	Dearborn	F-series, Lincoln Mark LT
Ford	Auto Alliance Int	Flat Rock	Mustang, Mazda 6
Ford	Detroit	Detroit	Ford Chassis
Ford	Michigan Truck	Wayne	Navigator, Expedition
Ford	Wayne	Wayne	Focus
GM	Flint 1	Flint	Sierra, Silverado
GM	Flint 3	Flint	Kodiak, Topkick, Isuzu Truck
GM	Hamtramck	Hamtramck	Lucerne, Cadillac DTS
GM	Orion	Lake Orion	Pontiac G6
GM	Lansing Grand River	Lansing	Malibu CTS, STS, Cadillac SRX
GM	Lansing Delta	Lansing	Enclave, Outlook, Acadia
GM	Pontiac East	Pontiac	Sierra, Silverado

Source: Wards Automotive Year Book 2010

September 2010 13

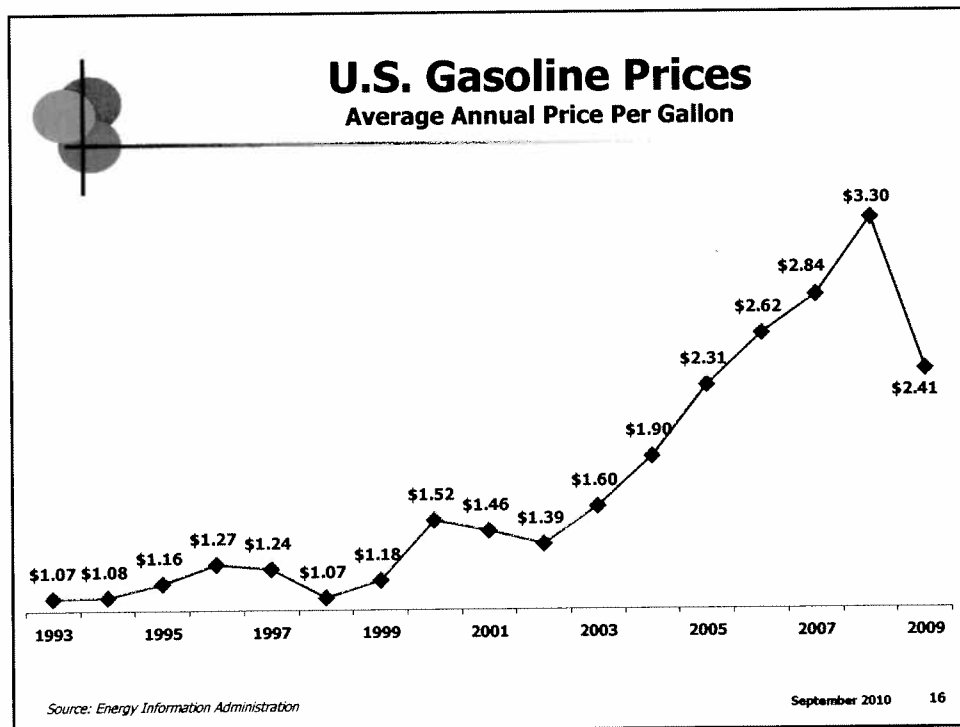
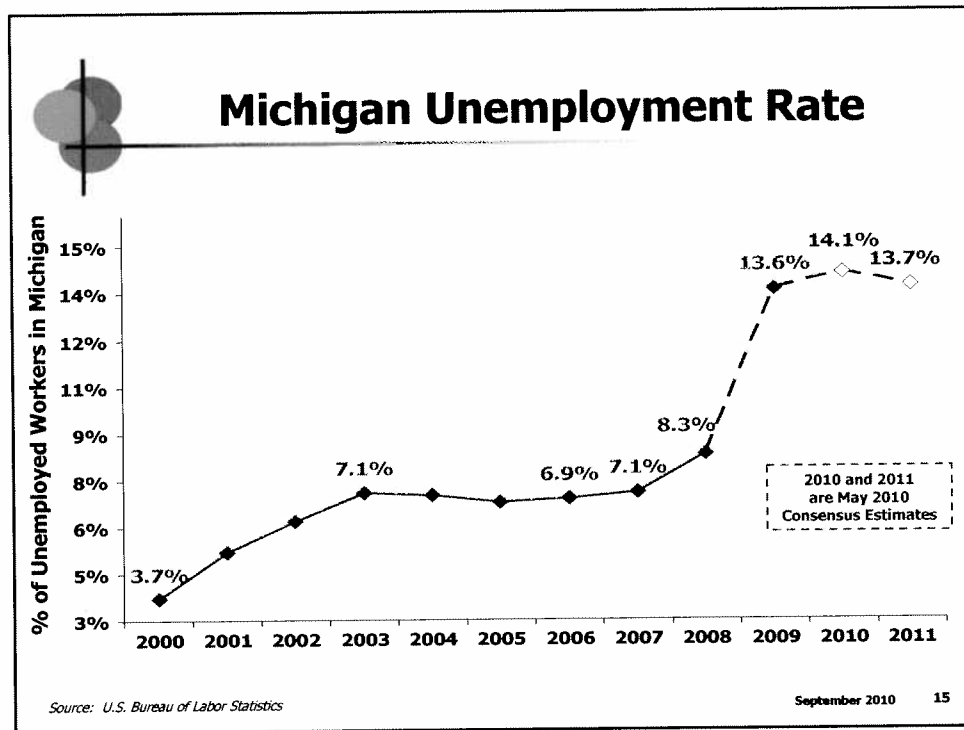
## Michigan Private Sector Employment

	% of Michigan Employment	Number of Jobs 12/04 to 12/08
<b><u>Increasing Sector</u></b>		
Education & Health	<u>16.3%</u>	<u>56,600</u>
Total	16.3%	56,600
<b><u>Decreasing Sectors</u></b>		
Manufacturing	11.8%	(247,500)
Wholesale/Retail Trade	13.4%	(73,700)
Professional & Business	15.8%	(95,400)
Other Private Super Sectors	<u>42.7%</u>	<u>(225,100)</u>
Total	83.7%	(641,700)

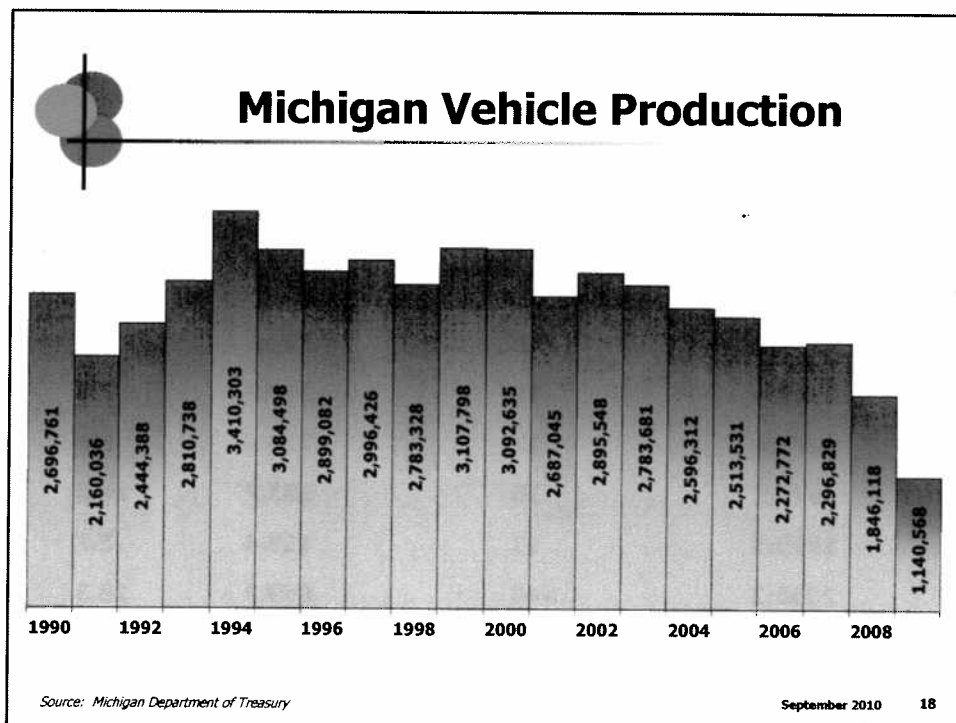
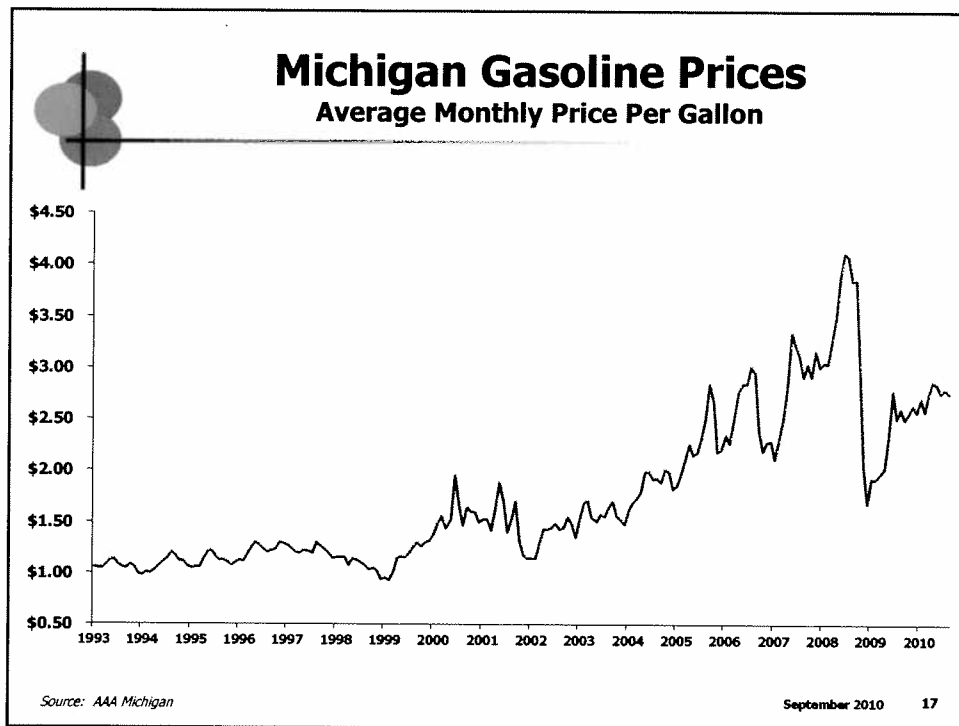
Total government employment fell by 62,000 jobs from 12/04 to 12/08,  
and is 16.9% of total non-farm employment.

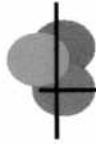
Source: U.S. Bureau of Labor Statistics

September 2010 14









## Market Share Below 50%

	<u>1986</u>	<u>1993</u>	<u>2007</u>	<u>2008</u>	<u>2010</u>
<b>Detroit 3</b>	<b>72.4%</b>	<b>73.7%</b>	<b>50.4%</b>	<b>46.7%</b>	<b>43.0%</b>
<b>Internationals</b>	<b>27.6%</b>	<b>26.3%</b>	<b>49.6%</b>	<b>53.3%</b>	<b>57.0%</b>

Source: Center for Automotive Research and HFA May 2010 Forecast

September 2010 19



## Recessions and Recoveries in Michigan

<u>Quarter of Peak Jobs Before Recession</u>	<u>Number of Quarters from Peak To Regain Jobs</u>	<u>Jobs Lost From Peak to Trough</u>	
		<u>Thousands</u>	<u>Percent</u>
<b>1960:2</b>	<b>9</b>	<b>174.1</b>	<b>7.3</b>
<b>1969:4</b>	<b>12</b>	<b>230.7</b>	<b>7.4</b>
<b>1973:4</b>	<b>12</b>	<b>216.6</b>	<b>6.5</b>
<b>1979:2</b>	<b>30</b>	<b>533.7</b>	<b>14.6</b>
<b>1990:3</b>	<b>11</b>	<b>109.4</b>	<b>2.7</b>
<b>2000:2</b>	<b>&gt;40</b>	<b>859.9</b>	<b>18.3</b>

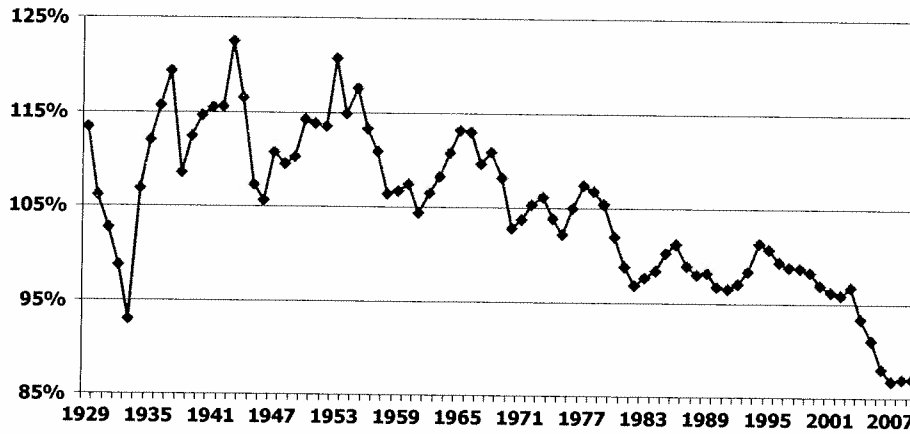
Source: U.S. Bureau of Labor Statistics

September 2010 20



## Michigan Personal Income Falling Relative to U.S.

Michigan per Capita Income as a % of U.S. Per Capita Income



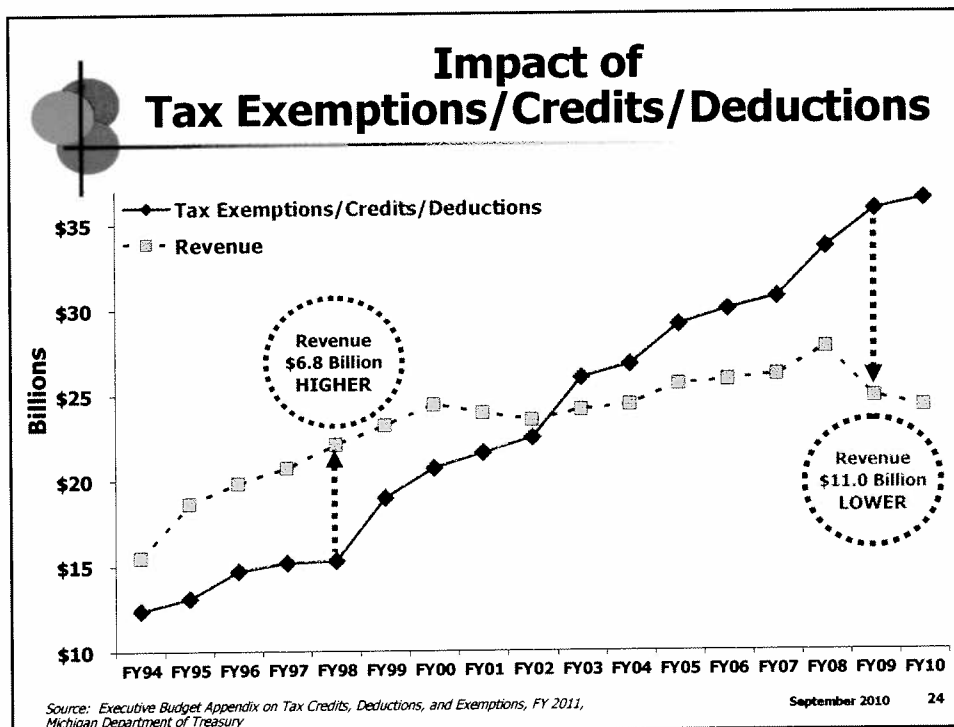
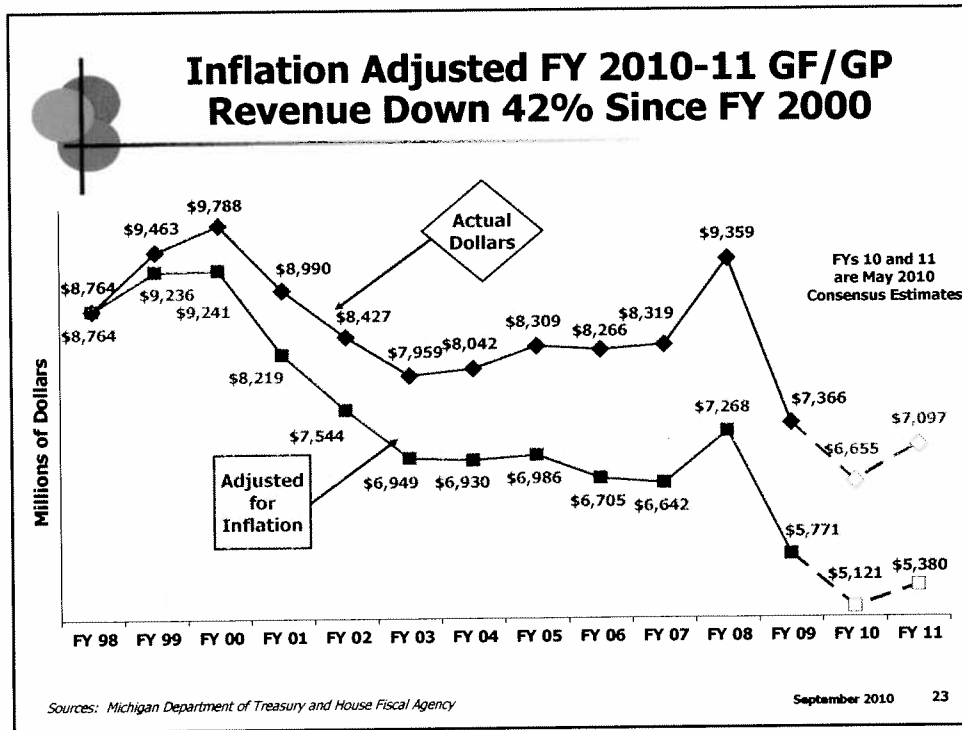
Source: Bureau of Economic Analysis

September 2010 21



## MICHIGAN REVENUE

September 2010 22



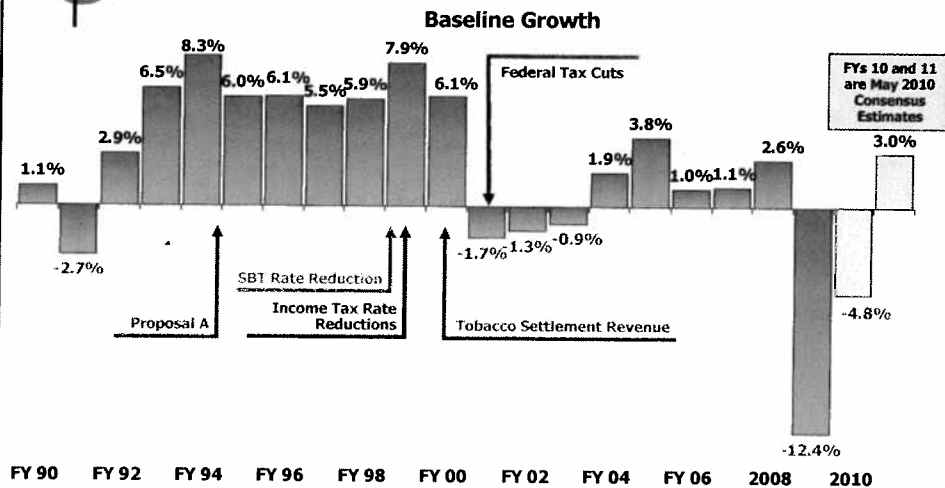
## Total Tax Expenditures FY 2010

<b>Tax Category</b>	<b>FY 2010 (000)</b>
Business Privilege	\$1,921,480
Consumption	14,041,051
Individual Income	10,156,055
Property	10,018,220
Other Local (City Income)	175,700
Transportation	47,996
<b>TOTAL</b>	<b>\$36,360,502</b>

Source: Executive Budget Appendix on Tax Credits, Deductions, and Exemptions, FY 2011,  
Michigan Department of Treasury

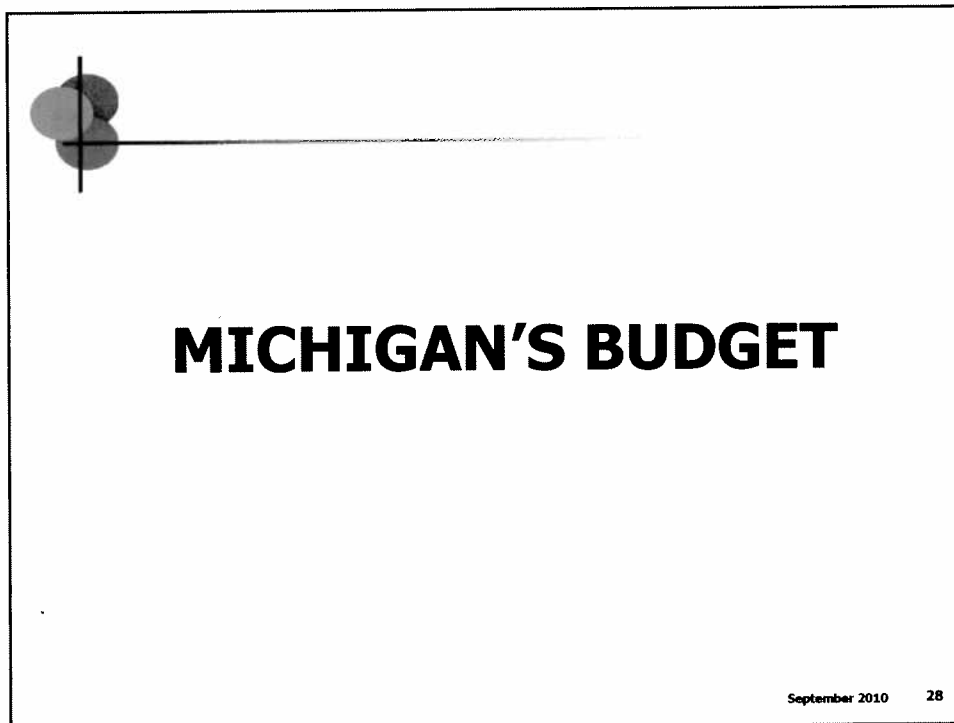
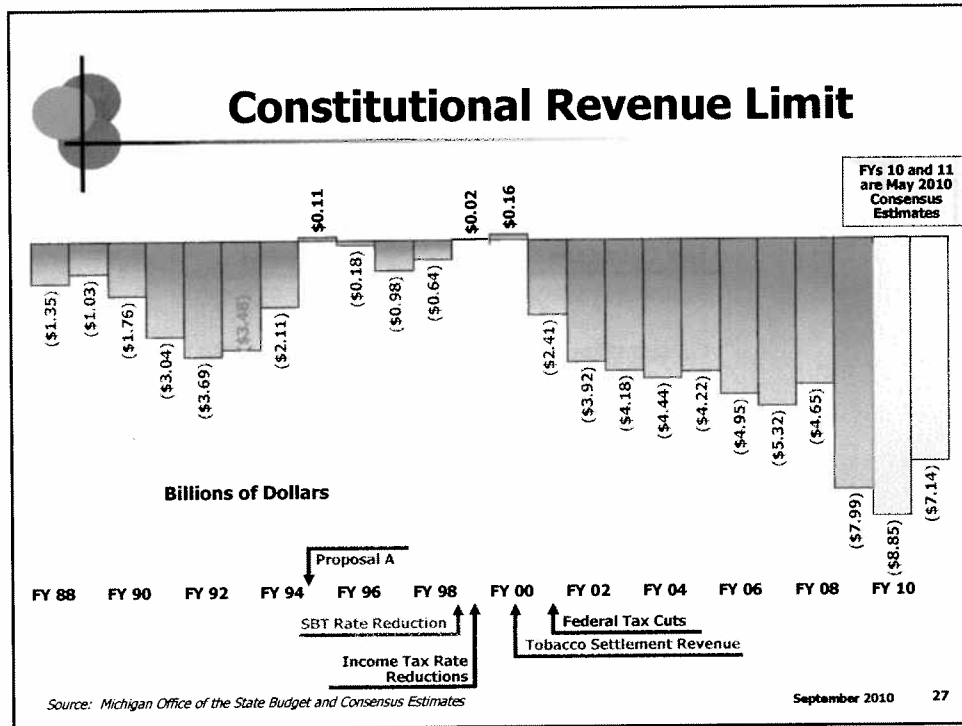
September 2010 25

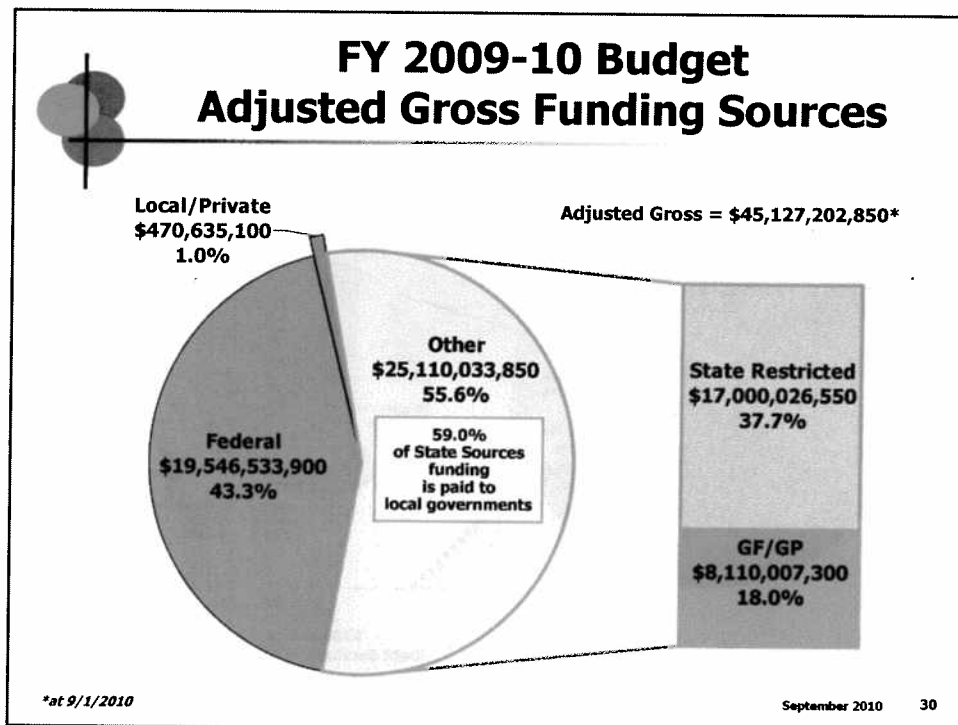
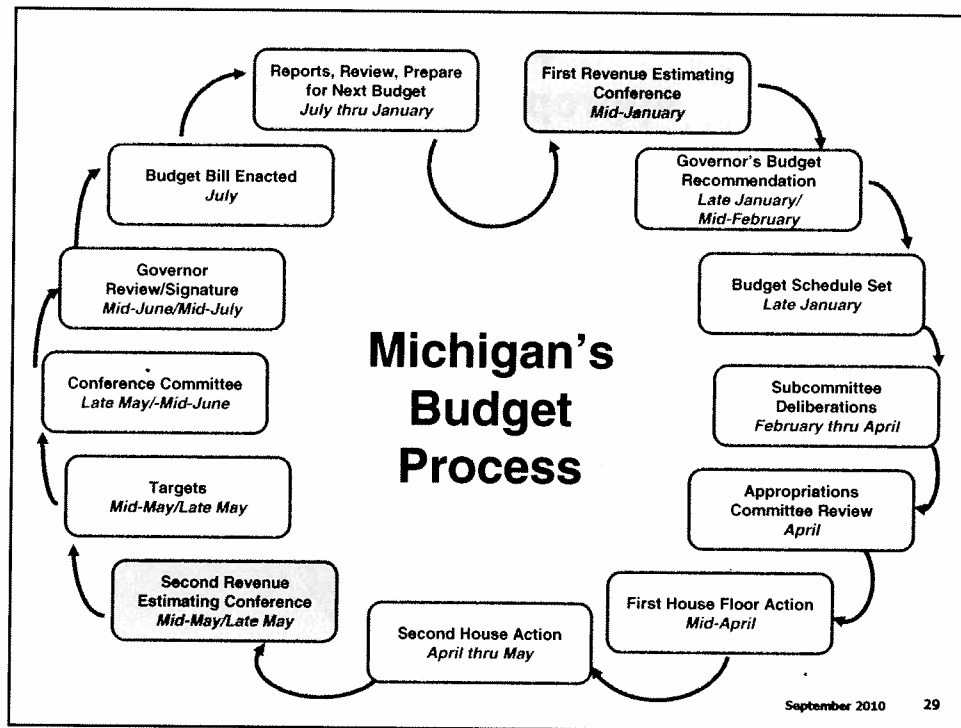
## GF/GP + School Aid Fund Revenue



Source: Michigan Department of Treasury and Consensus Estimates

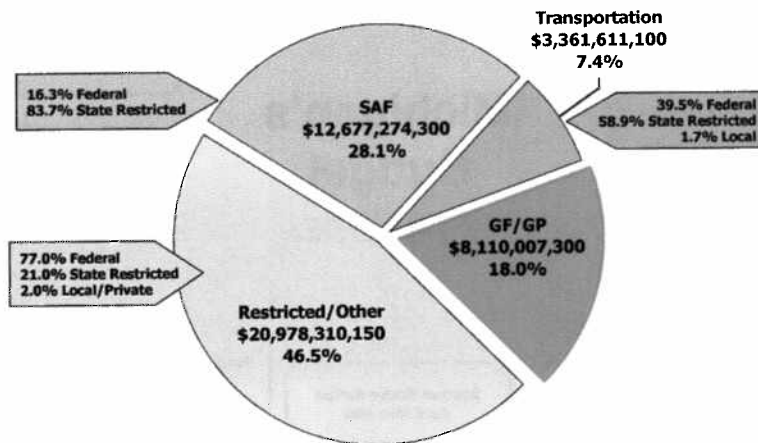
September 2010 26





## FY 2009-10 Appropriations Funding

Adjusted Gross = \$45,127,202,850\*

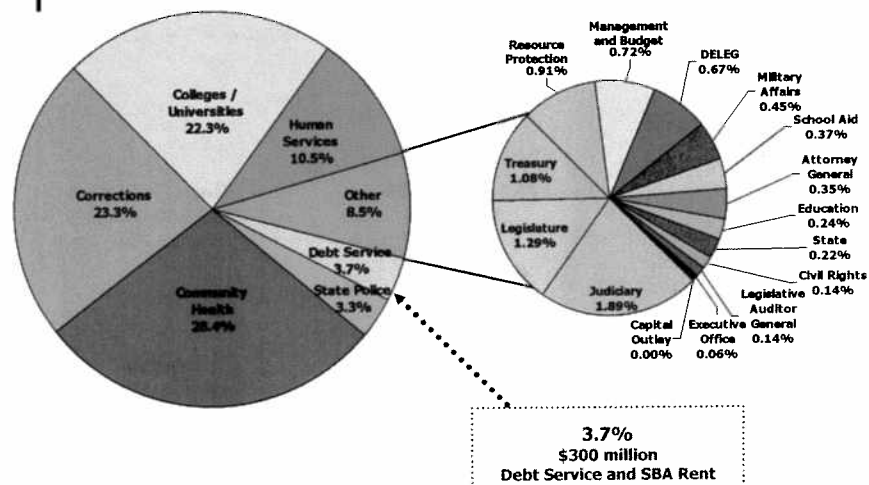


\*at 9/1/2010

September 2010 31

## FY 2009-10 GF/GP

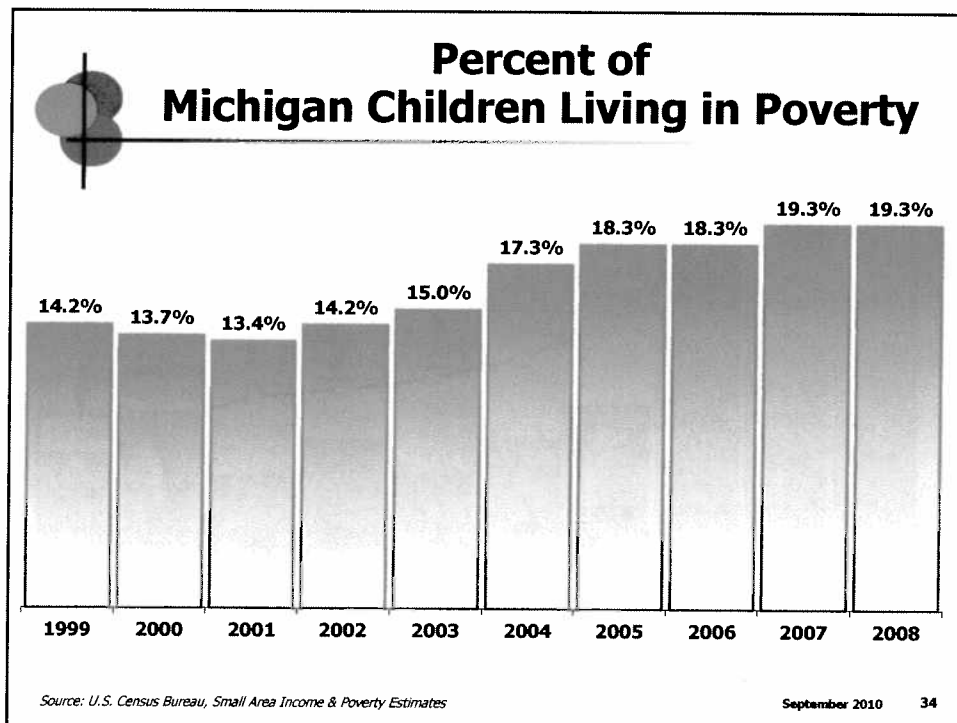
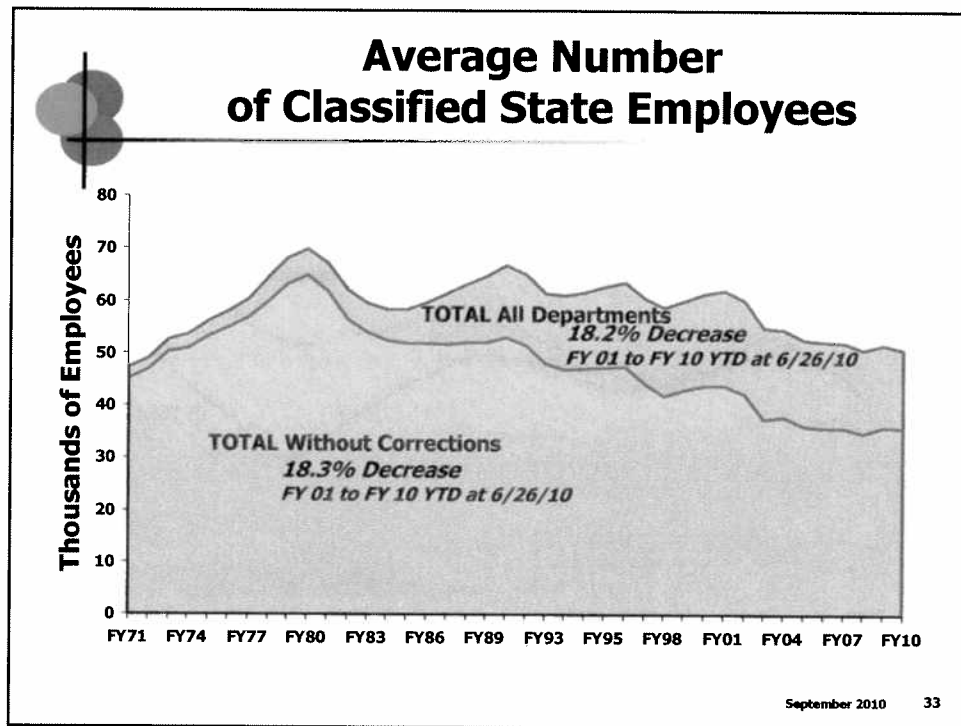
FY 2009-10 Total = \$8,130,737,900\*

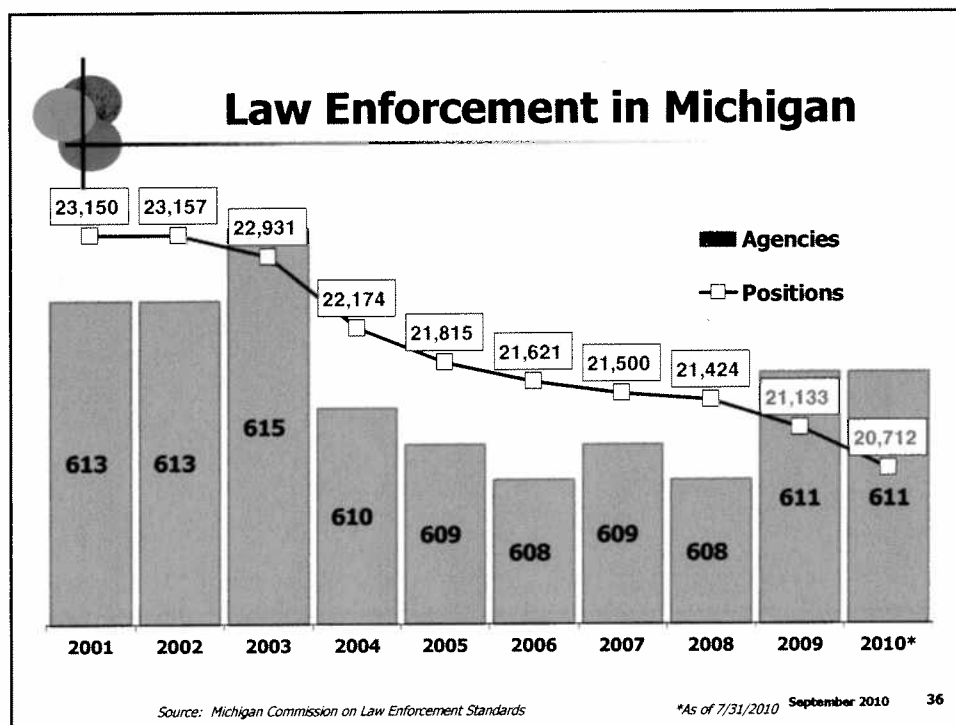
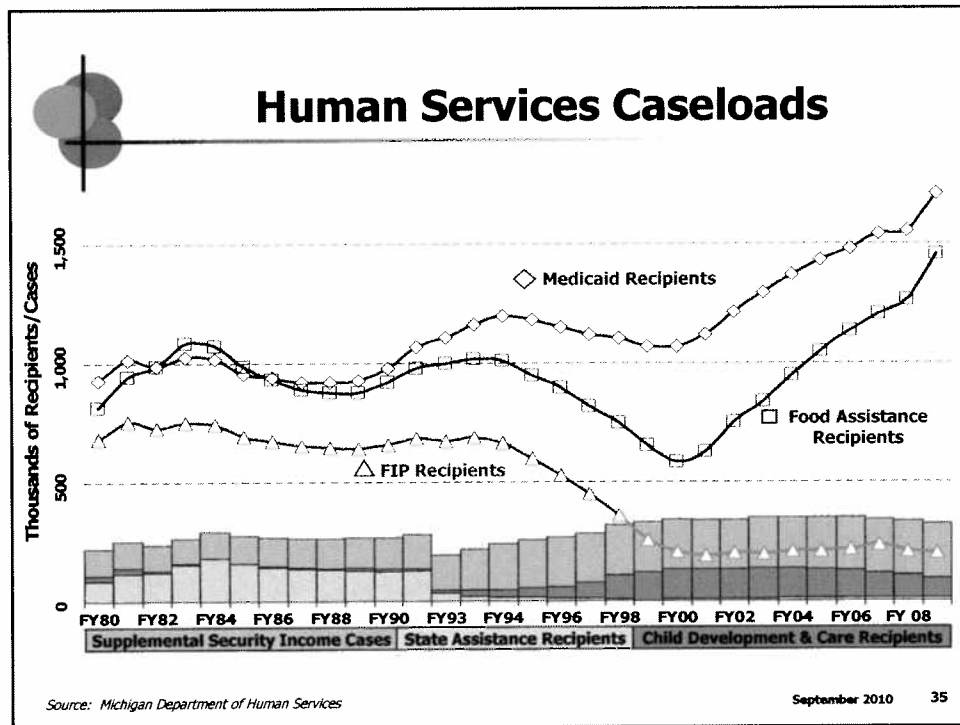


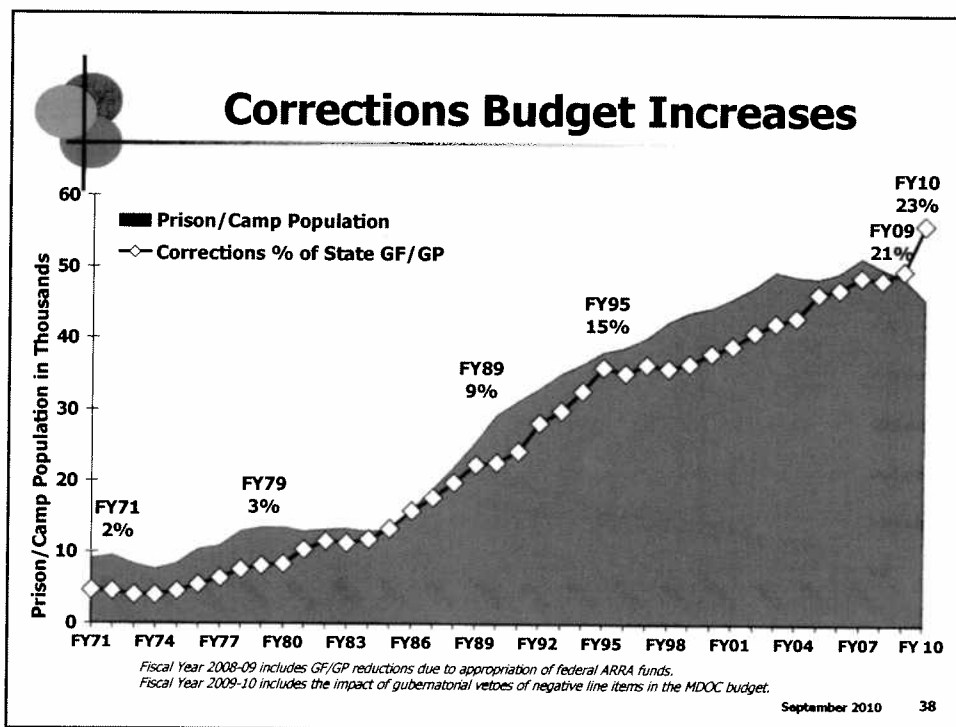
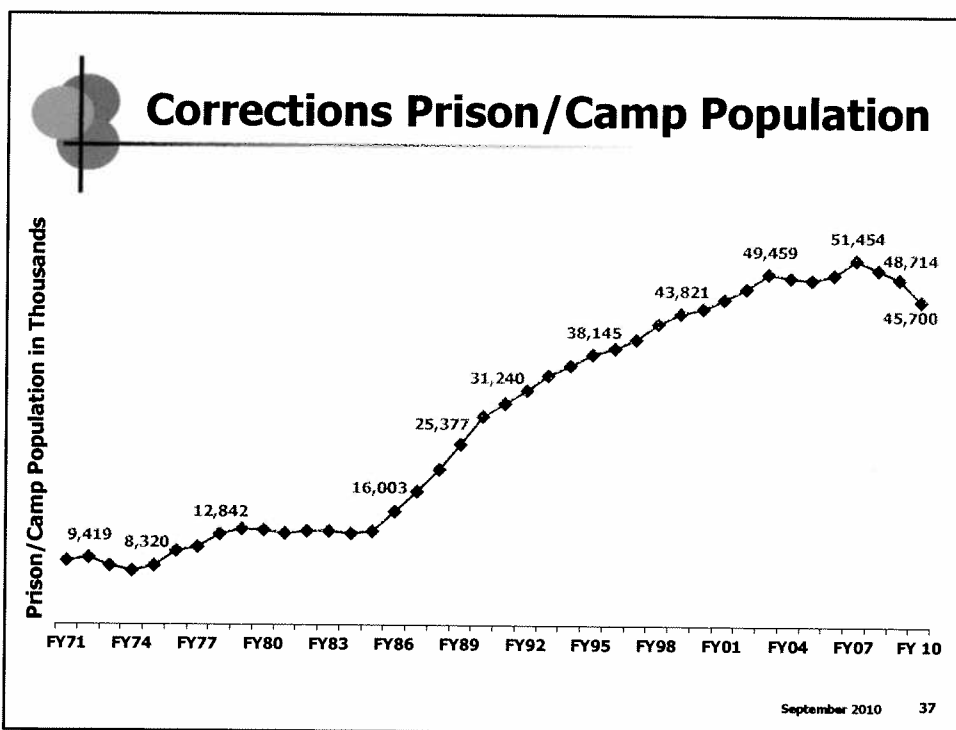
\*at 9/1/2010

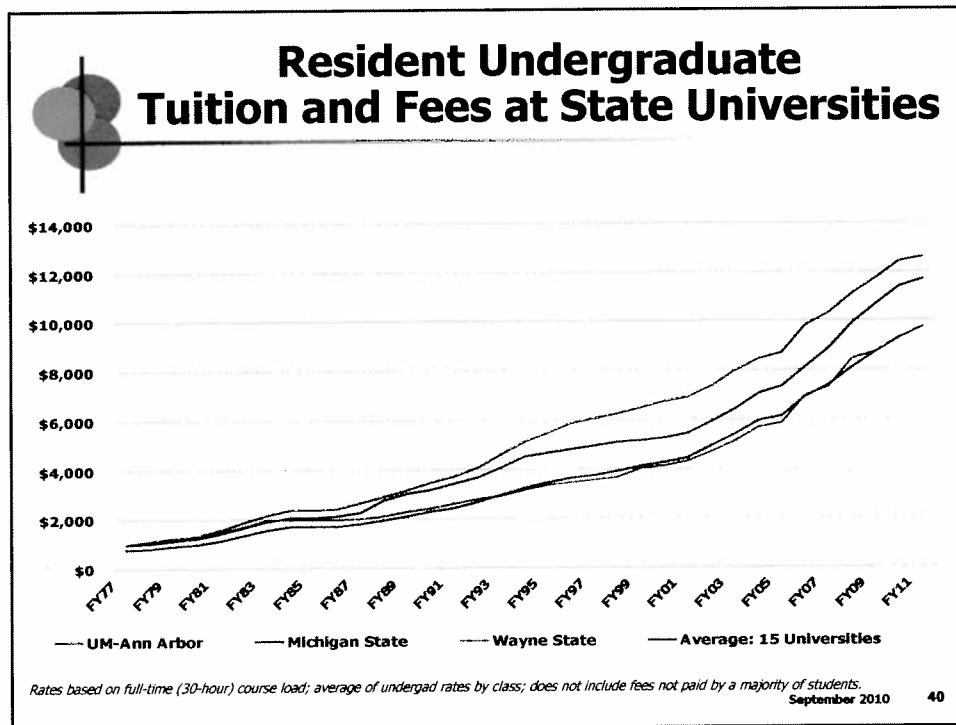
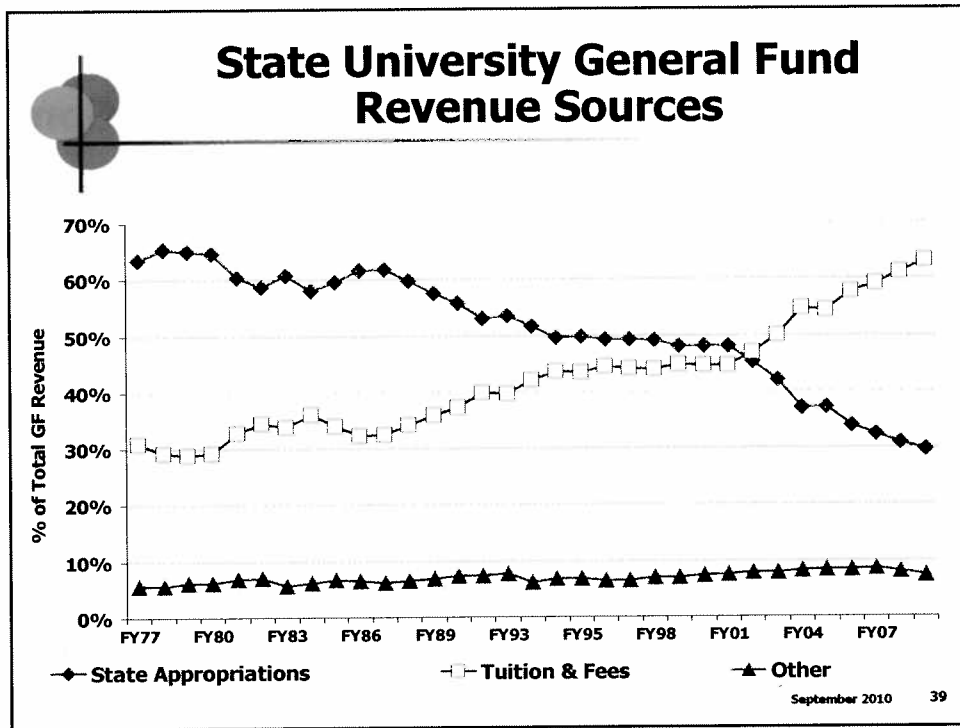
September 2010 32







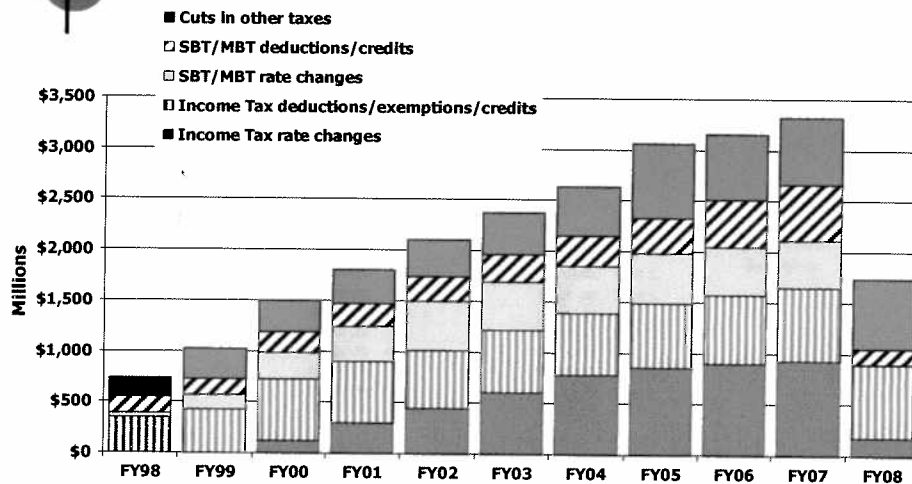




# MICHIGAN TAXES

September 2010 41

## Tax Changes Since Proposal A



Includes major tax cuts and income tax and MBT rate changes;  
does not include effects of gasoline, casino, and cigarette tax increases which generate \$870 million per year.

Sources: Michigan Department of Treasury and House Fiscal Agency

September 2010 42

## Inflation up 20% since FY 2000; Major Taxes Declined

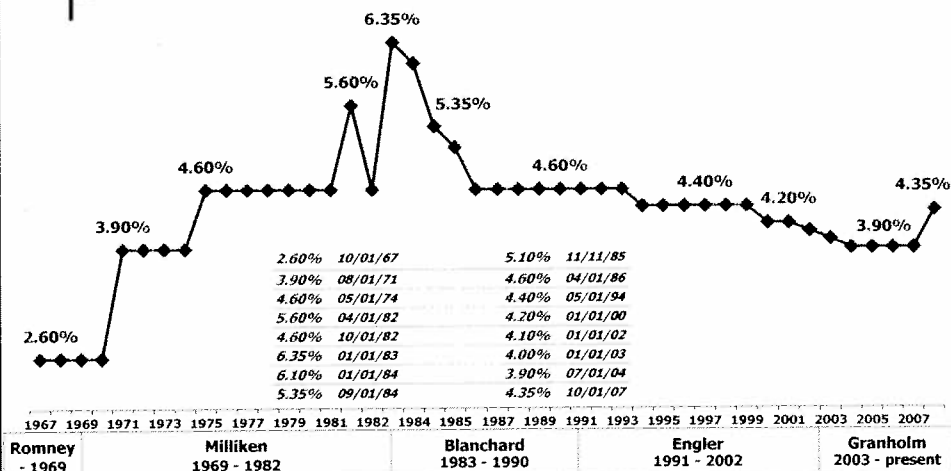
	<u>Net in FY 2000</u>	<u>Net in FY 2009</u>	<u>Change Over Nine Years</u>
Income	\$7,136	\$5,856	(17.9%)
Sales	\$6,278	\$6,089	(3.0%)
SBT/MBT*	\$2,324	\$2,284	(1.7%)
GF/GP	\$9,788	\$7,366	(24.7%)

\* Due to differences in base, property tax cuts, and surcharge, the SBT and MBT are not directly comparable.

Sources: Michigan Department of Treasury and House Fiscal Agency

September 2010 43

## Personal Income Tax Rate Changes



Source: Michigan Department of Treasury

September 2010 44



## Impact of Income Tax Rate Change

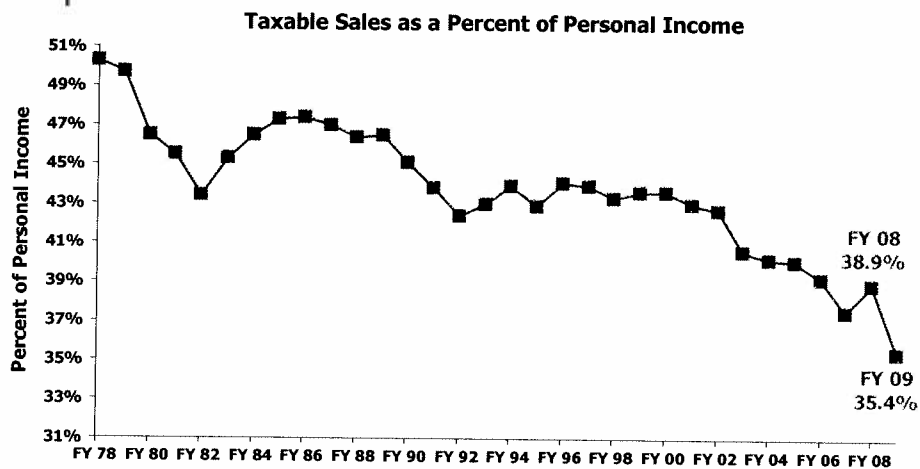
- ▶ Michigan personal income tax rate begins to decrease 1/10 of 1% per year beginning October 1, 2011
- ▶ On a full-year basis, an increase/decrease of 1/10 of 1% in the Michigan personal income tax rate would equal \$162 million per year

Source: Michigan Department of Treasury

September 2010 45

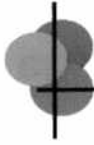


## Sales Tax Share Declining



Sources: Michigan Department of Treasury and House Fiscal Agency

September 2010 46



# STATE AND LOCAL COMPARISONS

September 2010 47



## State Taxation of Services

- ▶ Based on a 2007 Federation of Tax Administrators survey (updated for impact of 2007 PA 93), Michigan currently taxes 53 out of 168 services
- ▶ Michigan ranks 27th highest
- ▶ On average, states tax 55 services—roughly the same number as Michigan

*Source: 2007 Federation of Tax Administrators survey; updated for impact of 2007 PA 93*

September 2010 48



## State Taxation of Services

	<u>Number of Services Taxed</u>	<u>Rank</u>
Hawaii	160	1
Washington	158	2
New Mexico	158	2
South Dakota	146	4
Delaware	143	5
Wisconsin	76	11
Ohio	68	17
Minnesota	66	19
<b>MICHIGAN (current law)</b>	<b>53</b>	<b>27</b>
Indiana	24	41
Illinois	17	47

Source: 2007 Federation of Tax Administrators survey; updated for impact of 2007 PA 93

September 2010 49

## State and Local Tax Revenue Per Capita

	<u>2008 Tax Revenue Per Capita</u>	<u>2008 Rank</u>
Alaska	\$14,147	1
District of Columbia	\$9,148	2
New York	\$7,103	3
Wyoming	\$6,930	4
Connecticut	\$6,599	5
New Jersey	\$6,209	6
Hawaii	\$5,233	7
Massachusetts	\$5,196	8
California	\$5,085	9
North Dakota	\$4,948	10
Maryland	\$4,887	11
Vermont	\$4,727	12
Minnesota	\$4,727	13
Rhode Island	\$4,626	14
Illinois	\$4,503	15
<b>MICHIGAN</b>	<b>\$3,764</b>	<b>31</b>
<b>U.S. Average</b>	<b>\$4,371</b>	

Sources: Federation of Tax Administrators; U.S. Census Bureau; 2008 data are the most current available

September 2010 50

## State and Local Tax Revenue As % of Personal Income

	2008 Tax Revenue as % of Personal Income	2008 Rank
Alaska	34.7%	1
Wyoming	15.1%	2
New York	14.9%	3
District of Columbia	14.4%	4
North Dakota	13.6%	5
Hawaii	12.9%	6
Maine	12.9%	7
Vermont	12.5%	8
New Jersey	12.4%	9
New Mexico	12.3%	10
Connecticut	11.9%	11
California	11.8%	12
West Virginia	11.8%	13
Wisconsin	11.8%	14
Louisiana	11.6%	15
<b>MICHIGAN</b>	<b>11.0%</b>	<b>31</b>
U.S. Average	11.2%	

Sources: Federation of Tax Administrators; U.S. Census Bureau; 2008 data are the most current available

September 2010 51

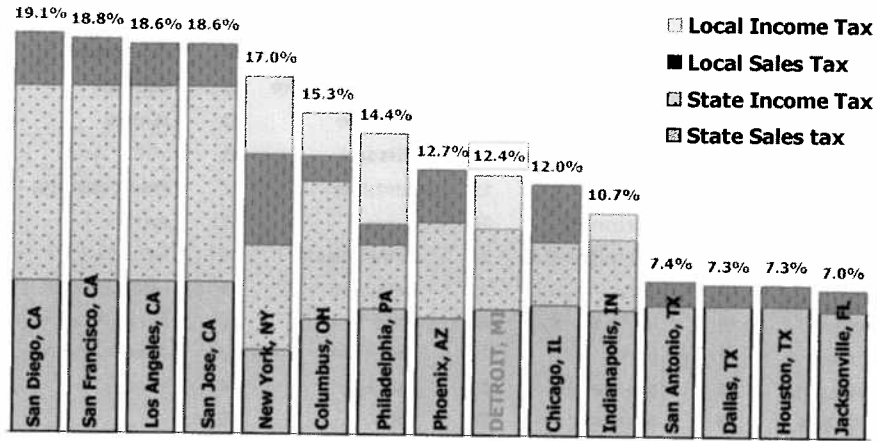
## State and Local Tax Rates

	LOCAL			STATE	
	Sales Tax		Income Tax	Sales Tax	Income Tax
	Current	Maximum			
San Diego, CA	2.5%	2.75%		7.25%	1.0% – 9.3%
San Francisco, CA	2.25%	2.75%		7.25%	1.0% – 9.3%
Los Angeles, CA	2.0%	2.75%		7.25%	1.0% – 9.3%
San Jose, CA	2.0%	2.75%		7.25%	1.0% – 9.3%
New York, NY	4.38%	4.5%	2.907% – 3.648%	4.0%	2.0% – 5.0%
Columbus, OH	1.25%	2.0%	2.0%	5.5%	0.649% – 6.555%
Philadelphia, PA	1.0%	1.0%	4.301%	6.0%	3.07%
Phoenix, AZ	2.5%	4.5%		5.6%	2.59% – 4.57%
Detroit, MI			2.5%	6.0%	3.9%
Chicago, IL	2.75%	3.0%		6.25%	3.0%
Indianapolis, IN			1.25%	6.0%	3.4%
San Antonio, TX	1.13%	2.0%		6.25%	
Dallas, TX	1.0%	2.0%		6.25%	
Houston, TX	1.0%	2.0%		6.25%	
Jacksonville, FL	1.0%	1.5%		6.0%	

Sources: Federation of Tax Administrators; CCH Tax Resources Network

September 2010 52

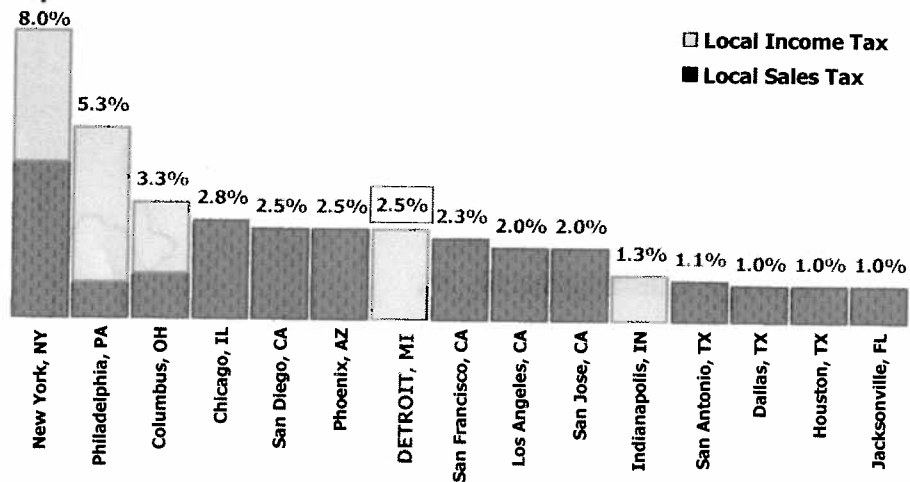
## State and Local Sales and Income Taxes



Sources: Federation of Tax Administrators; CCH Tax Resources Network  
Note: calculations assume high end of Income Tax range

September 2010 53

## Local Sales and Income Taxes



Sources: Federation of Tax Administrators; CCH Tax Resources Network  
Note: calculations assume high end of Income Tax range

September 2010 54

## State & Local Government Employment per 10,000 Residents

	Rank		Rank		Rank		Rank
Wyoming	1	Minnesota	14	Virginia	27	California	40
North Dakota	2	New York	15	Maine	28	Tennessee	41
Alaska	3	Washington	16	New Hampshire	29	Georgia	42
Nebraska	4	Hawaii	17	Colorado	30	Illinois	43
Kansas	5	Oregon	18	Missouri	31	<b>MICHIGAN</b>	<b>44</b>
New Mexico	6	Alabama	19	Kentucky	32	Massachusetts	45
South Dakota	7	Wisconsin	20	Texas	33	Arizona	46
Oklahoma	8	South Carolina	21	Connecticut	34	Nevada	47
Iowa	9	West Virginia	22	Delaware	35	Florida	48
Montana	10	North Carolina	23	Utah	36	Pennsylvania	49
Vermont	11	Idaho	24	Maryland	37	Rhode Island	50
Mississippi	12	New Jersey	25	Indiana	38		
Louisiana	13	Arkansas	26	Ohio	39		

Source: Current Employment Statistics, U.S. Bureau of Labor Statistics,  
and US Census Bureau

September 2010 55

**State Representative  
George Cushingberry, Jr.**

